

Message Text

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SUBJECT: TIME/READER'S DIGEST/BORDER TV STATIONS TAX

LEGISLATION IN TROUBLE

REF: OTTAWA 1936 AND PREVIOUS; STATE 120650

1. BEGIN SUMMARY. BILL C-58, ENDING TAX WRITE-OFFS FOR ADVERTISERS IN CANADIAN EDITIONS OF TIME AND READER'S DIGEST, IS IN TROUBLE IN PARLIAMENT, AND MORE SO THAN PREVIOUSLY REALIZED, AN INCREASING NUMBER OF CONSERVATIVES HAVE ASKED TO SPEAK AGAINST C-58, WHICH HAS ALREADY HAD FOUR FULL DAYS OF DEBATE WITHOUT HAVING RECEIVED SECOND READING, AND THERE ARE APPARENTLY SOME MISGIVINGS IN LIBERAL CAUCUS AS WELL. ALTHOUGH PARLIAMENT WILL PROBABLY REMAIN IN SESSION UNTIL MID OR LATE JULY, THERE IS POSSIBILITY C-58 WILL NOT PASS SECOND READING BEFORE RECESS AND SOME POSSIBILITY IT WILL NOT PASS AT ALL IN PRESENT FORM. END SUMMARY.

2. SINCE C-58 IS A TAX MEASURE IT STANDS IN NAME OF FINANCE MINISTER. FINMIN TURNER, HOWEVER, HAS STEERED CLEAR OF DEBATE, AND TOLD EMBOFF HE HAD WARNED

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SECRETARY OF STATE FAULKNER THAT THE BILL WOULD HAVE

SERIOUS PROBLEMS IN COMMONS. ALL PARTIES ENDORSE FAULKNER'S OBJECTIVE IN ATTEMPTING DIVERT ADVERTISING REVENUE TO CANADIAN PERIODICALS, AND SUPPORT C-58 PROVISIONS REGARDING FOREIGN OWNERSHIP. HOWEVER, C-58 APPARENTLY GIVES GOC CONSIDERABLE DISCRETION IN ENFORCING CANADIAN CONTENT PROVISIONS ALREADY CONTAINED IN INCOME TAX ACT, WHICH SMACKS OF CENSORSHIP TO MANY M.P.'S AND COULD BE EXTREMELY AWKWARD TO APPLY. IN THE MAY 26 DEBATE ONE TORY M.P. NOTED THAT THE BILL WOULD POSE PROBLEMS FOR GOOD BUT OBSCURE NEWSPAPERS LIKE THE RED DEER (ALBERTA) ADVOCATE, AND ANOTHER CAUTIONED AGAINST RAISING A "MAPLE LEAF CURTAIN" ON THE 49TH PARALLEL. OTHERS SAW PROBLEMS FOR THE CHRISTINA SCIENCE MONITOR, MODERN MEDICINE OF CANADA, AND M.D. CANADA. TURNER TOLD EMBOFF PRIVATELY THAT MANY LIBERALS WERE UNHAPPY WITH CANADIAN CONTENT PROVISIONS AND OTHERS, PARTICULARLY IN QUEBEC, DISTRESSED BY TERMINATION OF FRENCH EDITION OF CANADIAN READER'S DIGEST.

3. ALTHOUGH FAULKNER REPORTED DETERMINED PRESS AHEAD WITH C-58 IN PRESENT FORM, THERE APPEARS GOOD LIKELIHOOD IT WILL NOT GO THROUGH SECOND READING OR BE SENT TO COMMITTEE BEFORE RECESS. PARLIAMENT MUST STAY IN SESSION WELL INTO JULY TO COMPLETE BUDGET DEBATE (WHICH STARTS JUNE 23) AND PASS ASSOCIATED LEGISLATION. THERE ARE SEVERAL MORE URGENT BILLS PENDING, HOWEVER, NOTABLY PETROCAN, AND A NUMBER OF DAYS TO BE ALLOTTED TO OPPOSITION. POSSIBILITY NOW IS THAT C-58 WILL BE DELAYED AT LEAST UNTIL SEPTEMBER.

4. COMMUNICATIONS MINISTER PELLETIER DURING MAY 26 DEBATE DID INTERVENE IN SUPPORT OF MEASURE BUT GREATER PART OF HIS STATEMENT WAS DEVOTED TO DEFENSE OF POLITICS TO ASSIST CANADIAN PERIODICAL INDUSTRY HE DEVELOPED IN PREVIOUS ROLE AS SECRETARY OF STATE. TOUCHED LIGHTLY UPON BROADCASTING ASPECT NOTING "PURPOSELY LOCATED" US STATIONS IN SMALL BORDER TOWNS "WHOSE EVIDENT OBJECTIVE IS TO EXPLOIT THE CANADIAN MARKET THROUGH THE BORDER". TURNING TO ALLEGATIONS THAT TOTAL ACT WAS ANTI-AMERICAN PELLETIER COMPARED IT TO ENACTMENT OF BROADCASTING ACT IN 1969 LIMITED OFFICIAL USE

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(SIC, ACTUALLY 1968) WHICH IMPOSED REQUIREMENT OF CANADIAN OWNERSHIP FOR BROADCASTING UNDERTAKINGS. HE NOTED IN THAT CONTEXT "...ALL WE HAD TO DO WAS TO ANSWER THEM THAT SUCH LEGISLATION WAS BEING APPLIED BY THE AMERICANS THEMSELVES. HAVE YOU EVER ACCUSED AMERICANS OF BEING ANTI-CANADIAN BECAUSE THEY DID NOT ALLOW CANADIANS TO GO AND SET THEMSELVES UP IN THE AMERICAN BROADCASTING SYSTEM?" NO OBJECTION TO PELLETIER

INTERVENTION TOOK PLACE ON THAT DATE.

5. OUTSIDE PARLIAMENT SECRETARY OF STATE FAULKNER CONTINUES TO EXUDE OPTIMISM ABOUT FATE OF BILL. TORONTO STAR FOR MAY 22 QUOTED HIM AS INDICATING TIME AND READER'S DIGEST COULD MEET CANADIANIZATION REQUIREMENTS EASILY "IF THEY PUT THEIR MINDS OT IT". HE ALSO SUGGESTED HE MIGHT BE PREPARED TO ENTERTAIN AN AMENDMENT EXTENDING TIME LIMIT FOR COMPLIANCE. OTTAWA CITIZEN FOR MAY 27 CARRIED INTERVIEW IN WHICH FAULKNER DISMISSED OPPOSITION VOICES, ESPECIALLY LIBERAL, INDICATING THEIR CONCERNS ABOUT POSSIBLE IMPLICATIONS CAN BE DEALT WITH IN COMMITTEE.

6. COMMITTEE CLERK'S OFFICE CONTINUES TO BE CONCERNED WITH ITS SCHEDULING PROBLEMS. TOLD TCO ON MAY 28 THAT HEARINGS STILL CAN PROBABLY START THREE DAYS AFTER REFERENCE TO COMMITTEE AND THAT PLAN IS TO GIVE TIME AND READER'S DIGEST OPPORTUNITY TO APPEAR IN FIRST SCHEDULED SESSION. WHEN TV STATIONS WOULD BE HEARD NOT YET DETERMINED. FAULKNER HIMSELF WOULD NOT MAKE STATEMENT IN COMMITTEE UNTIL VERY END. IN ADDITION TO WASHINGTON STATE STATION, THREE BUFFALO STATIONS HAVE NOW MADE A FORMAL REQUEST FOR TIME.

7. COPIES MAY 26 HANSARD SENT EUR/CAN AND EB/TT/TD. NEWSPAPER CLIPPINGS SENT TO EUR/CAN. PORTER

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